This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 SANAA 002844

SIPDIS

E.O. 12958: DECL: 09/25/2015
TAGS: PGOV EFIN ECPS EIND EINV ETTC KMPI YM CH ECON COM
SUBJECT: SHOW ME THE MONEY: CHINESE WIN YEMEN'S GSM TENDER, ROYG AWAITS PAYMENT

REF: A. SANAA 2426
¶B. SANAA 2556

Classified By: A/DCM Thomas Burke for reasons 1.4 b and d.

¶1. (C) Summary. On September 21, Yemen's Cabinet officially awarded the third GSM license to Chinese-owned Unitel for its bid of USD 149 million. The decision came as no surprise; ROYG officials had made clear that the financial offer outweighed all other considerations. Many doubts remain, however, as to whether Unitel's offer complies with the requirements of the tendering process, and whether the company will be able to pay the full bid amount. Irregularities in the tendering process have frustrated mid-level ROYG officials, and reveal the degree of influence exerted by the Minister of Finance over other revenue-generating ministries in this period of fiscal crisis. End summary.

Unitel Wins, But Who Are They?

¶2. (U) On September 21, several news outlets reported that the Cabinet awarded Chinese Unitel the license for Yemen's third GSM mobile phone service. The decision was based on the recommendations of the Ministry of Telecommunications technical committee, which awarded Unitel the highest score among the five bidders on both its technical and financial offers. The committee's report then went to the High Tendering Committee, which approved the decision without public notification or deliberation on September 18. Minister of Finance Salami departed the next day for IMF/World Bank meetings in Washington, and the Cabinet added its stamp of approval in his absence.

¶3. (U) Considerable confusion remains as to who is the driving force behind Unitel. According to the rules of the tender, at least forty percent of the venture must be Yemeni owned, but there is as yet little indication as to who are Unitel's local partners. (Ref A) In addition, the Government-controlled media refers to China Mobile as the major international investor, implying that Unitel is the largest telecom operator in China. China Mobile, however, has repeatedly denied any involvement in the deal, with the exception of limited consulting services. The Cabinet sought to address this issue by requiring Unitel to clarify its financial relationship with China Mobile before signing any licensing agreement.

GSM Deal Not Quite Final

¶4. (C) Despite the apparent finality of the decision, Fathi Fahim, local partner of competing bidder Millicom, said this was only the first of two Cabinet meetings on the issue. According to Fahem, the Cabinet floated the decision to gauge the degree of opposition both from competitors and from the United States. Fahem said that Prime Minister Bajammal told him that if there are no major complaints before the next Cabinet meeting on September 27, Unitel would officially win the tender. Post has provided commercial advocacy on behalf of Millicom and its vending partner, Motorola. To date, post has delivered a written letter to the Prime Minister and the Ministers of Finance and Telecommunications urging the ROYG to adhere to its own tendering guidelines. Post also delivered an advocacy letter from Secretary of Commerce Gutierrez, and Ambassador raised the issue in person with the above Ministers. (Ref B) David Kimche, a representative for Millicom, has made clear that his company intends to protest the Cabinet's decision and continue to press its bid until the Unitel deal is finalized.

¶5. (C) Rumors abound that even if they receive final approval, Unitel does not have enough money to cover its USD 149 million bid. According to the tender document, Unitel has fifteen days from the signing of a license agreement to pay in full. By delaying the official signing, the ROYG can allow Unitel some wiggle room to raise sufficient funds. According to Kamal al-Jabry, Director General of the Public Telecommunications Company, the Unitel consortium is currently shopping around town for new investors for this reason.

Tendering Practices Spark Dissent

¶6. (C) The selection process has revealed rifts within the Ministry of Telecommunications between Minister Moalimi and his senior staff. Assistant Deputy Minister Hamami was removed from the technical committee after voicing his opposition to the Unitel bid. Hamami has leveled broader criticism at the Ministry for diverging from the rules established in the tender document, and has not been seen at the Ministry for over a month. Deputy Minister Yassin Mahmoud, who wrote the tender document, insisted that he had nothing to do with the selection process, but stopped short of criticizing the Minister directly.

ROYG Gambles Its Reputation

¶7. (C) Comment: The Cabinet's decision to award Unitel the GSM license inflicts yet another blow to Yemen's investment climate. By not following its own stated tendering guidelines, the ROYG elicited outrage among the few legitimate international companies willing to risk investing in Yemen's telecom market. The ROYG undermined its own long-term interests by selecting a company unlikely to improve telecom quality, expand infrastructure, or reduce consumer rates. Most likely, Minister of Telecommunications Moalimi initially backed the Unitel bid in hopes of soliciting lucrative vending contracts and Chinese debt forgiveness for his failed Yemen Mobile venture. (Ref A) Due to the sheer size of the Chinese bid, however, interest in the tender rose to the highest levels of the ROYG. With an emergency supplementary budget of 451 billion Yemeni Riyals (USD 2.3 billion) currently before Parliament, MOF Salami saw an opportunity for a one-time infusion into the treasury. By Prime Minister Bajammal's own admission, the ROYG was interested only in the size of the bid, not the quality of the company. (Ref B) This policy of immediate gratification remains a gamble. If Unitel is unable to make good on its bid in the next few weeks, Yemen will lose both short-term revenue and long-term credibility among international investors. End comment.
Krajeski